

Weisman

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 02-06	2. STATE Oregon
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) Medical Assistance	
		4. PROPOSED EFFECTIVE DATE July 1, 2002	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)	
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447, 42 CFR 412		7. FEDERAL BUDGET IMPACT: a. FFY 02 2002-03 \$ 4,650,000 0 (P+I) b. FFY 03 \$ -0-	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, page 12 and page 11a (P+I)		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Section 4.19-A, pages 11a and 12	
10. SUBJECT OF AMENDMENT: This transmittal is submitted to add the possibility of adjustments ^{to values for DRG} for unit value hospital payments, for Type A, Type B, and Critical Access Hospitals and to delete Cost Outlier Payments from the state plan. (P+I)			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL Per Attachment 7.3A			
12. SIGNATURE OF STATE AGENCY OFFICIAL: <i>Hersh Crawford</i>		16. RETURN TO: Office of Medical Assistance Programs Department of Human Services 500 Summer Street NE, 3 rd Floor, E35 Salem, OR 97301 ATTN: Carole Van Eck	
13. TYPED NAME: Hersh Crawford		17. DATE RECEIVED: APR 10 2002	
14. TITLE: Administrator, OMAP Director, DHS		18. DATE APPROVED: JUN 28 2002	
15. DATE SUBMITTED: 4-5-02		19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2002	
20. SIGNATURE OF REGIONAL OFFICIAL: <i>Burns Butterfield</i>		21. TYPED NAME: Burns Butterfield	
22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR DIVISION OF MEDICAID		23. REMARKS: <div style="text-align: center;"> 4/8 : Salem (DATE) (CITY/STATE) </div> <p>P+I changes authorized by the state on 6/5/02 & 6/21/02.</p>	

- g. Effective July 1, 2002, the unit value for DRG hospitals will be determined according to section 4.19 A, subsection (f) except in state fiscal years when a budget deficit or surplus has been identified. The unit value may be reduced or increased by a percentage needed to reduce budget deficit or enhance hospital reimbursements. The Political Administration and/or Administrative heads will determine the percentage that will be used to adjust the unit value by this method. Public notice of changes will be made in accordance with 42 CFR 447.205 whenever a unit value adjustment is made under the provisions of this subsection.

(7) DRG PAYMENT

The DRG payment to each hospital is calculated by multiplying the Relative Weight for the DRG by the Hospital-Specific Unit Value. This is referred to as the Operational Payment.

(8) COST OUTLIER PAYMENT'S

Cost outlier payments are an additional payment made at the time a claim is processed for exceptionally costly services provided to Title XIX clients.

Effective for services beginning on or after July 1, 1991, the calculation to determine the cost outlier payment for all hospitals is as follows:

- Non-covered services (such as ambulance charges) are deducted from billed charges.
- The remaining billed charges are converted to hospital-specific costs using the hospital's cost-to-charge ratio derived from the most recent audited Medicare cost report and adjusted to the Medicaid case load.
- If the hospital's net costs as determined above are greater than 300 percent of the DRG payment for the admission and are greater than \$25,000, an additional cost outlier payment is made.
- Costs which exceed the threshold (\$25,000 or 300% of the DRG payment, whichever is greater) are reimbursed at a percentage. The percentage of net costs (costs above the threshold) to be paid is established by OMAP and may be

adjusted monthly as needed to maintain total cost outlier expenditures for the 1993-95 biennium at \$9.0 million in Total Funds, excluding cost outlier payments made to Oregon Health Sciences University Medical Center.

- Third party reimbursements are deducted from the OMAP calculation of payable amount.

Formula for Cost Outlier Calculation:

$$\begin{array}{rcl} & \text{Billed charges less non-covered charges} & \\ \text{X} & \text{Hospital-specific cost-to-charge ratio} & \\ = & \text{Net Costs} & \\ - & 300\% \text{ of the DRG or } \$25,000 \text{ (whichever is greater)} & \\ = & \text{Outlier Costs} & \\ \text{X} & \text{Cost Outlier Percentage} & \\ = & \text{Cost outlier Payment} & \end{array}$$

The cost outlier percentage necessary to fully expend the cost outlier pool is estimated to be 30% for the biennium. OMAP will reimburse cost outlier claims at 50% of costs above the threshold and will monitor payments to determine the relationship between projected and actual outlier payments. An adjustment to the 50% reimbursement rate will be made as needed to fully expend the cost outlier pool. The amount of the cost outlier pool will not be exceeded. Cost outlier payments made to Oregon Health Sciences University Medical Center will not be deducted from this pooled amount.

When hospital cost reports are audited, an adjustment will be made to cost outlier payments to reflect the actual Medicaid hospital-specific cost-to-charge ratio during the time cost outlier claims were incurred.

The cost-to-charge ratio in effect for that period of time will be determined from the audited Medicare Cost Report and OMAP 42, adjusted to reflect the Medicaid mix of services.

(9) DELETED 11/27/01